

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

REGULATORY BASIS
FINANCIAL STATEMENTS
For the year ended June 30, 2018

And

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS



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UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

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Holton, Kansas

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Karlin & Long, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Education
Unified School District No. 336
Holton, Kansas 66436

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Unified School District No. 336, Holton, Kansas as of and for the year ended June 30, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Unified School District No. 336, Holton Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 336, Holton, Kansas as of June 30, 2018, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Unified School District No. 336, Holton, Kansas as of June 30, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with “Government Auditing Standards”, we have also issued our report dated August 3, 2018, on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control of financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Audit Standards” and should be considered in assessing the results of our audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-district activity funds, and summary of receipts and expenditures-agency funds (Schedules 1, 2, 3, and 4 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompany schedule of expenditures of federal awards is presented for purposes of additional analysis as required but U.S Office of Management and Budget "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.



Karlin & Long, LLC
Certified Public Accountants

Lenexa, KS
August 3, 2018

USD #336 HOLTON, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2018

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General Funds:							
General	\$ 0	\$ 0	\$ 7,979,512	\$ 7,979,512	\$ 0	\$ 10,592	\$ 10,592
Supplemental General	60,992	0	2,543,724	2,525,111	79,605	105,071	184,676
Special Purpose Funds:							
Career and Postsecondary Education	100,000	0	329,276	379,182	50,094	681	50,775
Special Education	330,736	0	1,361,049	1,373,039	318,746	656	319,402
Driver Education	26,742	0	13,657	8,477	31,922		31,922
Food Service	163,693	0	522,538	557,493	128,738	71,897	200,635
Capital Outlay	2,068,895	0	945,805	660,978	2,353,722	142,442	2,496,164
Gifts and Grants	1,308	0	5,000	75	6,233		6,233
Parent Education	26,000	0	27,800	26,600	27,200	13,600	40,800
Professional Development	99,789	0	37,375	37,220	99,944	1,737	101,681
Summer School	54,132	0	3,724	27,856	30,000		30,000
Special Education Cooperative	516,261	0	5,344,613	4,944,837	916,037	3,843	919,880
KPERS Special Contribution	0	0	1,344,117	1,344,117	0		0
At Risk (K-12)	119,898	0	934,687	892,878	161,707	9,971	171,678
Bilingual Education Fund	0	0	33,356	33,356	0		0
Virtual Education Fund	79,798	0	170,737	160,732	89,803	150	89,953
District Activity Funds	217,601	0	412,477	399,064	231,014		231,014
Textbook Rental Fund	301,460	0	87,977	64,679	324,758	21,045	345,803
Contingency Reserve Fund	800,000	0	40,000	0	840,000		840,000
Title I	0	0	149,654	149,654	0	198	198
Migrant	814	0	500	1,314	0		0
Title V/B	0	0	30,887	30,887	0	1,275	1,275
Mini-Grants	2,057	0	0	0	2,057		2,057
ACE Program	0	0	5,975	5,970	5		5
Title IIA	0	0	31,282	31,282	0		0
JCCTCC	454	0	500	604	350		350
Carl Perkins Grant	3,468	0	1,258	5,853	(1,127)	1,448	321
Bond and Interest							
Bond and Interest	1,139,580	0	1,503,062	1,136,531	1,506,111		1,506,111
Capital Projects - Elementary Bond							
Capital Projects - Construction Account	0	0	504,358	504,358	0	67,254	67,254
Total Reporting Entity	\$ 6,113,678	\$ 0	\$ 24,857,511	\$ 23,774,270	\$ 7,196,919	\$ 451,860	\$ 7,648,779
Composition of Cash							
Checking Accounts							\$ 582,438
Savings Accounts							6,834,860
Certificates of Deposit							648,920
Construction account							-
Total Cash							8,066,218
Agency Funds per Schedule 4							417,439
Total Reporting Entity							\$ 7,648,779

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

USD No.336 is a municipal corporation governed by an elected seven member board. The district as an entity has been defined to include, on a combined basis, (a) USD No.336 (b) organizations for which USD No. 336 is financially accountable, and (c) other organizations for which the nature and significance of their relationship with USD No.336 are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the District's report.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year 2018:

Governmental Funds

General Fund – The chief operating fund. Used to account for the resources except those required to be accounted for in another fund.

Special Purpose Funds – Used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long term debt) that are intended for specified purposes.

Bond and Interest Funds – Used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Fund – Used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major facilities or equipment.

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Agency Funds – To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

Reimbursed Expenses

Expenditures in the amount of \$ 74,791 are classified as reimbursed expenses in the General Fund. The purpose of these expenditures is payment for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934.

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There was a budget amendment in the General Fund for the period under audit.

The statutes permit transferring budgeted amounts between accounts within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the district for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

A legal operating budget is not required for capital projects funds and trust funds and the following special purpose funds:

Title IIA Fund	ACE Program
Migrant Fund	Contingency Reserve Fund
District Activity Funds	Title I Fund
Textbook Rental Fund	Mini-Grant Fund
JCCTCC	Title VI B
Carl Perkins Grant	Title IID

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – Deposits and Investments

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the district. The statute requires banks eligible to hold the district's funds have a main or branch bank in the county in which the district is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds.

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (continued)

Deposits

In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The district has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the district's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The district has no investment policy that would further limit its investment choices. The district had no investments during 2018.

Concentration of Credit Risk

State statutes place no limit on the amount the district may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. State statutes require the district's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2018.

At June 30, 2018, the government's carrying amount of deposits was \$ 8,066,218 and the bank balance was \$ 7,744,176. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$ 250,000 was covered by federal depository insurance and the balance was collateralized with securities held by the pledging financial institutions' agents in the district's name.

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (continued)

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 3 – In-Substance Receipt in Transit

The district received \$ 758,942 subsequent to June 30, 2018 and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2018.

NOTE 4 – Defined Benefit Pension Plan

Plan Description – USD 336 participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions – K.S.A 74-4919 and K.S.A. 74-49,210 establish the KPERS member employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015 Kansas law established the KPERS member-employee contributions rate of 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Defined Benefit Pension Plan (continued)

rate with a 0% moratorium for the period of July 1, 2017 through September 30, 2017 for the Death and Disability Program) was 10.81% for the fiscal year ended June 30, 2017 the actuarially determined employer contribution rate was 12.01% for the fiscal year June 30, 2018, Per 2016 House Substitute for Senate Bill 161, Section 98(a)(1), state general fund expanded lottery act revenue funds for employer contributions to KPERS deferred. The amount deferred for school contributions was \$92,917,091 for the fiscal year ended June 30, 2016 and the anticipated repayments per SB249 for nullified per HB2052 during the year 2017

The State of Kansa contribution to KPERS for all school municipalities for the year ending June 30, 2017, received as of June 30th was \$304,596,361. Per the 2017 Senate Substitute for the House Bill 2052, Section 37(a), state general fund employer contributions to KPERS were decreased by \$64,130,234 for the fiscal year ended June 30, 2017. Section 43(17) of the bill also stipulates that repayments of the reduced contributions are to be amortized over twenty years at level dollar amount commencing in fiscal year 2018. The level dollar was computed to be \$6.4 million dollars per year.

The State of Kansas is required to contribute the stator required employers share expect for the retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. The District received and remitted amounts equal to the stator contribution rate, which totaled \$1,344,117 for the year ended June 30, 2018

Net Pension Liability At June 30, 2018 the District's proportionate share of collective net pension liability reported by KPERS was \$16,549,940. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The Districts proportion of the net pension liability was based on the ratio of the Districts contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2017. Since KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the website www.kpers.org or can be obtained as described above.

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the district carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

NOTE 6 – Stewardship, Compliance and Accountability

We noted no violations of Kansas Statutes during the period under examination.

NOTE 7 – Compensated Absences

The District does not reimburse employees for unused vacation time. Employees working less than twelve months per year earn ten days sick leave per year. Full year employees earn twelve days sick leave annually. Classified sick leave is accrued in hours equal to each individual's working day and cannot exceed the equivalent of seventy five of an individual's work days. Each year, the District reimburses employees for accumulated unused sick leave in excess of seventy five days. The District has not accrued compensated absences at June 30, 2018.

NOTE 8 – Interfund Transactions

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	Capital Outlay Fund	K.S.A. 72-6428	\$ 237,090
General Fund	Special Education Fund	K.S.A. 72-6428	1,059,218
General Fund	Career and Postsecondary	K.S.A. 72-6428	187,374
General Fund	At Risk Fund	K.S.A. 72-6428	934,687
General Fund	Bilingual Fund	K.S.A. 72-6428	33,356
General Fund	Contingency Reserve Fund	K.S.A. 72-6428	40,000
Supplemental General Fund	Parent Education Fund	K.S.A. 72-6428	27,800
Supplemental General Fund	Professional Dev. Fund	K.S.A. 72-6425	32,300
Supplemental General Fund	Special Education Fund	K.S.A. 72-6425	296,217
Supplemental General Fund	Summer School Fund	K.S.A. 72-6426	32,300
Supplemental General Fund	Textbook Fund	K.S.A. 72-6427	38,905
Supplemental General Fund	Food Service Fund	K.S.A. 72-6425	6,216
Supplemental General Fund	Career and Postsecondary	K.S.A. 72-6425	135,191

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

NOTE 9 – Other Post-Employment Benefits (continued)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE 10 – Contingency

The District receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such disallowances, if any, will not be significant to the District's financial statements.

NOTE 11 – Subsequent Events

Subsequent events for management's review have been evaluated through August 3, 2018. The date in the prior sentence is the date the financial statements were available to be issued.

NOTE 12 – Capital Projects

At year-end, capital project authorizations with approved change orders compared with expenditures from inception are as follows:

	<u>Expenditures To Date</u>	<u>Project Authorization</u>
School Buildings	\$ 21,463,617	\$ 21,500,000

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – Indebtedness

The District is subject to the statutes of the State of Kansas that limits the net bonded debt. The debt outstanding may not exceed 14% of the assessed value of all tangible taxable property within the District unless additional authority is granted by the Kansas State Board of Education. The amount of bonds outstanding is computed exclusive of certain bonds specifically exempted from this limitation. At June 30, 2018, the statutory limit for the district was \$ 6,669,930 thus creating excess indebtedness of \$ 14,235,070. The outstanding bond principal represents 43.88% of the District valuation. The District has received approval from the Kansas State Board of Education to exceed the general bond debt limitation.

USD #336 HOLTON, KS
Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 14 - Long Term Debt

Changes in long-term liabilities for the District for the year ended June 30, 2018 were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
2012 Issue	2.0-3.5%	4/1/12	\$ 1,720,000	4/1/22	\$ 920,000	\$	\$ 170,000	\$ (170,000)	\$ 750,000	\$ 31,350
2013 Issue	.95-2.875%	5/1/13	560,000	4/1/23	350,000		55,000	(55,000)	295,000	8,503
2014-B Refunding Issue	2.00-6.073%	8/27/14	21,500,000	9/1/39	11,170,000		540,000	(540,000)	10,630,000	484,126
2017 Issue	3.00-4.00%	6/1/17	9,230,000	9/1/36	9,230,000			0	9,230,000	239,605
Capital Leases										
Computer Hardware Lease	1.90%	7/17/15	389,112	8/15/18	170,038		84,219	(84,219)	85,819	3,231
Total Long Term Debt					<u>\$ 21,840,038</u>	<u>\$ 0</u>	<u>\$ 849,219</u>	<u>\$ (849,219)</u>	<u>\$ 20,990,819</u>	<u>\$ 766,815</u>
Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:										
		2019	2020	2021	2022	2023	2024-2028	2028-2033	2034-2038	Totals
Principal										
General Obligation Bonds	\$ 905,000	\$ 935,000	\$ 960,000	\$ 990,000	\$ 1,140,000	\$ 4,005,000	\$ 5,175,000	\$ 6,145,000	\$ 650,000	\$ 20,905,000
Special Assessment Bonds										0
Certificates of Participation										0
Capital Leases	85,819									85,819
Revenue Bonds										0
No-Fund Warrants										0
Temporary Notes										0
Total Principal	<u>990,819</u>	<u>935,000</u>	<u>960,000</u>	<u>990,000</u>	<u>1,140,000</u>	<u>4,005,000</u>	<u>5,175,000</u>	<u>6,145,000</u>	<u>650,000</u>	<u>20,990,819</u>
Interest										
General Obligation Bonds	813,809	785,942	757,056	721,150	677,700	2,917,713	1,981,175	860,775	13,000	9,528,320
Special Assessment Bonds										0
Certificates of Participation										0
Capital Leases	1,631									1,631
Revenue Bonds										0
No-Fund Warrants										0
Temporary Notes										0
Total Interest	<u>815,440</u>	<u>785,942</u>	<u>757,056</u>	<u>721,150</u>	<u>677,700</u>	<u>2,917,713</u>	<u>1,981,175</u>	<u>860,775</u>	<u>13,000</u>	<u>9,529,951</u>
Total Principal and Interest	<u>\$ 1,806,259</u>	<u>\$ 1,720,942</u>	<u>\$ 1,717,056</u>	<u>\$ 1,711,150</u>	<u>\$ 1,817,700</u>	<u>\$ 6,922,713</u>	<u>\$ 7,156,175</u>	<u>\$ 7,005,775</u>	<u>\$ 663,000</u>	<u>\$ 30,520,770</u>

Unified School District No. 336, Holton, Kansas

Regulatory-Required

Supplementary Information

For the year ended June 30, 2018

USD #336 HOLTON, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2018

Funds	Certified Budget	Adjustments to Comply with Legal Max	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds						
General Funds						
General	\$ 7,909,127	\$ (4,406)	\$ 74,791	\$ 7,979,512	\$ 7,979,512	\$ 0
Supplemental General	2,525,111	0	0	2,525,111	2,525,111	0
Special Purpose Funds						
Career and Postsecondary	527,352	0	0	527,352	379,182	(148,170)
Special Education	1,539,372	0	0	1,539,372	1,373,039	(166,333)
Driver Training	40,942	0	0	40,942	8,477	(32,465)
Food Service	713,697	0	0	713,697	557,493	(156,204)
Capital Outlay	3,042,088	0	0	3,042,088	660,978	(2,381,110)
Gifts and Grants	3,365	0	0	3,365	75	(3,290)
Parent Education	37,000	0	0	37,000	26,600	(10,400)
Professional Development	161,189	0	0	161,189	37,220	(123,969)
Summer School	54,131	0	0	54,131	27,856	(26,275)
Special Education Cooperative	5,958,059	0	0	5,958,059	4,944,837	(1,013,222)
KPERS Special Contribution	1,405,158	0	0	1,405,158	1,344,117	(61,041)
At-Risk Fund	1,064,072	0	0	1,064,072	892,878	(171,194)
Bilingual Education Fund	79,000	0	0	79,000	33,356	(45,644)
Virtual Education Fund	276,906	0	0	276,906	160,732	(116,174)
Bond and Interest Funds						
Bond and Interest	1,263,731	0	0	1,263,731	1,136,531	(127,200)

USD #336 HOLTON, KS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	7,904,721	7,909,127	(4,406)
Charges for services			0
Interest income			0
Miscellaneous revenues	74,791		74,791
Operating transfers			0
Total Cash Receipts	<u>7,979,512</u>	<u>7,909,127</u>	<u>70,385</u>
EXPENDITURES			
Instruction	3,144,489	3,030,867	113,622
Student support services	271,735	267,844	3,891
Instruction support staff	226,909	240,476	(13,567)
General administration	128,739	126,299	2,440
School administration	570,499	544,252	26,247
Operations and maintenance	568,360	450,045	118,315
Student transportation services	368,332	330,417	37,915
Central support services	97,513	95,744	1,769
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	2,602,936	2,823,183	(220,247)
Adjustment to comply with legal max		(4,406)	4,406
Adjustment for qualifying budget credits		74,791	(74,791)
Total Expenditures	<u>7,979,512</u>	<u>\$ 7,979,512</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	<u>\$ 0</u>		

USD #336 HOLTON, KS
SUPPLEMENTAL GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 774,842	\$ 788,006	\$ (13,164)
Delinquent tax	8,267	11,298	(3,031)
Motor vehicle tax	92,188	94,481	(2,293)
RV tax	1,457	919	538
16/20 tax	5,959		5,959
Commercial vehicle tax	3,939	4,098	(159)
Watercraft tax	723		723
Federal grants			0
State aid/grants	1,656,349	1,656,093	256
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
Total Cash Receipts	<u>2,543,724</u>	<u>2,554,895</u>	<u>(11,171)</u>
EXPENDITURES			
Instruction	1,196,722	1,331,723	(135,001)
Student support services	5,612	8,195	(2,583)
Instruction support staff	30,433	29,003	1,430
General administration	13,845	327	13,518
School administration	60,656	55,383	5,273
Operations and maintenance	648,293	552,977	95,316
Student transportation services	29,197	27,499	1,698
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	540,353	520,004	20,349
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>2,525,111</u>	<u>\$ 2,525,111</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	18,613		
Unencumbered Cash, Beginning	60,992		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 79,605</u>		

USD #336 HOLTON, KS
 CAREER AND POSTSECONDARY EDUCATION FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	6,711	6,658	53
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	322,565	420,694	(98,129)
Total Cash Receipts	329,276	427,352	(98,076)
EXPENDITURES			
Instruction	379,182	527,352	(148,170)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	379,182	\$ 527,352	\$ (148,170)
Receipts Over (Under) Expenditures	(49,906)		
Unencumbered Cash, Beginning	100,000		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 50,094		

USD #336 HOLTON, KS
SPECIAL EDUCATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	5,614		5,614
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	1,355,435	1,208,636	146,799
Total Cash Receipts	1,361,049	1,208,636	152,413
EXPENDITURES			
Instruction	1,317,049	1,406,563	(89,514)
Student support services	656	474	182
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services	55,334	132,335	(77,001)
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	1,373,039	\$ 1,539,372	\$ (166,333)
Receipts Over (Under) Expenditures	(11,990)		
Unencumbered Cash, Beginning	330,736		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 318,746		

USD #336 HOLTON, KS
 DRIVER TRAINING FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	5,632	7,000	(1,368)
Charges for services	8,025	7,200	825
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
Total Cash Receipts	<u>13,657</u>	<u>14,200</u>	<u>(543)</u>
EXPENDITURES			
Instruction	7,960	39,842	(31,882)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	517	1,100	(583)
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>8,477</u>	<u>\$ 40,942</u>	<u>\$ (32,465)</u>
Receipts Over (Under) Expenditures	5,180		
Unencumbered Cash, Beginning	26,742		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 31,922</u>		

USD #336 HOLTON, KS
 FOOD SERVICE FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants	301,661	295,548	6,113
State aid/grants	5,847	4,902	945
Charges for services	206,674	224,976	(18,302)
Interest income			0
Miscellaneous revenues	2,140		2,140
Operating transfers	6,216	24,577	(18,361)
Total Cash Receipts	522,538	550,003	(27,465)
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	275	500	(225)
Student transportation services			0
Central support services			0
Other support services			0
Food service operations	557,218	713,197	(155,979)
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	557,493	\$ 713,697	\$ (156,204)
Receipts Over (Under) Expenditures	(34,955)		
Unencumbered Cash, Beginning	163,693		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 128,738		

USD #336 HOLTON, KS
CAPITAL OUTLAY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 378,782	\$ 351,050	\$ 27,732
Delinquent tax	3,688	5,378	(1,690)
Motor vehicle tax	48,646	45,037	3,609
RV tax	711	438	273
16/20 tax			0
Commercial vehicle tax		1,953	(1,953)
Watercraft tax	344		344
Federal grants			0
State aid/grants	224,897	224,872	25
Charges for services			0
Interest income	14,762	17,520	(2,758)
Miscellaneous revenues	36,885	21,897	14,988
Operating transfers	237,090	265,666	(28,576)
Total Cash Receipts	945,805	933,811	11,994
EXPENDITURES			
Instruction	267,976	352,565	(84,589)
Student transportation services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	5,572	1,020,523	(1,014,951)
Student transportation services	117,465	600,000	(482,535)
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services	269,965	1,069,000	(799,035)
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	660,978	\$ 3,042,088	\$ (2,381,110)
Receipts Over (Under) Expenditures	284,827		
Unencumbered Cash, Beginning	2,068,895		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 2,353,722		

USD #336 HOLTON, KS
GIFTS AND GRANTS FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	5,000		5,000
Operating transfers			0
	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Total Cash Receipts			
EXPENDITURES			
Instruction	75	3,365	(3,290)
Student transportation services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student support services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>75</u>	<u>3,365</u>	<u>(3,290)</u>
Total Expenditures			
Receipts Over (Under) Expenditures	4,925		
Unencumbered Cash, Beginning	1,308		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>6,233</u>		

NOTE: Not a Budget violation per Kansas Statutes

USD #336 HOLTON, KS
PARENT EDUCATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	27,800	11,000	16,800
Total Cash Receipts	27,800	11,000	16,800
EXPENDITURES			
Instruction			0
Student support services	26,600	37,000	(10,400)
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	26,600	\$ 37,000	\$ (10,400)
Receipts Over (Under) Expenditures	1,200		
Unencumbered Cash, Beginning	26,000		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 27,200		

USD #336 HOLTON, KS
PROFESSIONAL DEVELOPMENT FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	5,075	8,885	(3,810)
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	32,300	52,440	(20,140)
Total Cash Receipts	37,375	61,325	(23,950)
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff	37,220	161,189	(123,969)
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	37,220	\$ 161,189	\$ (123,969)
Receipts Over (Under) Expenditures	155		
Unencumbered Cash, Beginning	99,789		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 99,944		

USD #336 HOLTON, KS
 SUMMER SCHOOL FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	3,724		3,724
Total Cash Receipts	3,724	0	3,724
EXPENDITURES			
Instruction	27,856	54,131	(26,275)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Community support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	27,856	\$ 54,131	\$ (26,275)
Receipts Over (Under) Expenditures	(24,132)		
Unencumbered Cash, Beginning	54,132		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 30,000		

USD #336 HOLTON, KS
SPECIAL EDUCATION COOPERATIVE
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants	969,698	867,429	102,269
State aid/grants			0
Charges for services	3,310,256	4,570,158	(1,259,902)
Interest income			0
Miscellaneous revenues	5,441	4,000	1,441
Operating transfers	1,059,218		1,059,218
Total Cash Receipts	<u>5,344,613</u>	<u>5,441,587</u>	<u>(96,974)</u>
EXPENDITURES			
Instruction	4,555,498	5,127,276	(571,778)
Student support services	30,332	436,545	(406,213)
Instruction support staff			0
General administration	240,015	244,490	(4,475)
School administration			0
Operations and maintenance	27,313	31,748	(4,435)
Student transportation services	30,727	55,000	(24,273)
Central support services	60,952	63,000	(2,048)
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>4,944,837</u>	<u>\$ 5,958,059</u>	<u>\$ (1,013,222)</u>
Receipts Over (Under) Expenditures	399,776		
Unencumbered Cash, Beginning	516,261		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 916,037</u>		

USD #336 HOLTON, KS
 KPERS SPECIAL RETIREMENT CONTRIBUTION FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	1,344,117	1,405,158	(61,041)
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
Total Cash Receipts	<u>1,344,117</u>	<u>1,405,158</u>	<u>(61,041)</u>
EXPENDITURES			
Instruction	1,102,176	1,152,229	(50,053)
Student support services	26,882	28,103	(1,221)
Instruction support staff	26,882	28,103	(1,221)
General administration	40,324	42,155	(1,831)
School administration	53,765	56,206	(2,441)
Operations and maintenance	40,324	42,155	(1,831)
Student transportation services	26,882	28,103	(1,221)
Central support services	13,441	14,052	(611)
Other support services			0
Food service operations	13,441	14,052	(611)
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>1,344,117</u>	<u>\$ 1,405,158</u>	<u>\$ (61,041)</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	<u>\$ 0</u>		

USD #336 HOLTON, KS
 AT RISK FUND (K-12)
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>934,687</u>	<u>944,174</u>	<u>(9,487)</u>
Total Cash Receipts	<u>934,687</u>	<u>944,174</u>	<u>(9,487)</u>
EXPENDITURES			
Instruction	888,152	1,059,210	(171,058)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services	4,726	4,862	(136)
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>892,878</u>	<u>\$ 1,064,072</u>	<u>\$ (171,194)</u>
Receipts Over (Under) Expenditures	41,809		
Unencumbered Cash, Beginning	119,898		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 161,707</u>		

USD #336 HOLTON, KS
 BILINGUAL EDUCATION
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants		43,000	(43,000)
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	33,356	36,000	(2,644)
Total Cash Receipts	33,356	79,000	(45,644)
EXPENDITURES			
Instruction	33,356	79,000	(45,644)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	33,356	\$ 79,000	\$ (45,644)
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 0		

USD #336 HOLTON, KS
 VIRTUAL EDUCATION
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services	170,657	197,108	(26,451)
Interest income			0
Miscellaneous revenues	80		80
Operating transfers			0
Total Cash Receipts	<u>170,737</u>	<u>197,108</u>	<u>(26,371)</u>
EXPENDITURES			
Instruction	65,285	127,041	(61,756)
Student support services			0
Instruction support staff			0
General administration			0
School administration	66,119	81,289	(15,170)
Operations and maintenance	29,328	30,753	(1,425)
Student transportation services			0
Central support services		37,823	(37,823)
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>160,732</u>	<u>\$ 276,906</u>	<u>\$ (116,174)</u>
Receipts Over (Under) Expenditures	10,005		
Unencumbered Cash, Beginning	79,798		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 89,803</u>		

USD #336 HOLTON, KS
 BOND AND INTEREST FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 664,094	\$ 615,485	\$ 48,609
Delinquent tax	6,091	9,472	(3,381)
Motor vehicle tax	85,429	79,070	6,359
RV tax	1,249	769	480
16/20 tax			0
Commercial vehicle tax		3,429	(3,429)
Watercraft tax	598		598
Federal grants			0
State aid/grants	745,601	745,601	0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
Total Cash Receipts	<u>1,503,062</u>	<u>1,453,826</u>	<u>49,236</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service	1,136,531	1,263,731	(127,200)
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>1,136,531</u>	<u>\$ 1,263,731</u>	<u>\$ (127,200)</u>
Receipts Over (Under) Expenditures	366,531		
Unencumbered Cash, Beginning	1,139,580		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 1,506,111</u>		

USD #336 HOLTON, KS
NONBUDGETED FUNDS
Schedule of Cash Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2018

	<u>Textbook</u>	<u>Contingency Reserve</u>	<u>Title I</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$
Delinquent tax			
Motor vehicle tax			
RV tax			
Mineral production tax			
Federal grants			149,654
State aid/grants			
Charges for services	31,907		
Interest income			
Miscellaneous revenues	17,165		
Operating transfers	<u>38,905</u>	<u>40,000</u>	
Total Cash Receipts	<u>87,977</u>	<u>40,000</u>	<u>149,654</u>
EXPENDITURES			
Instruction	47,514		144,792
Student support services			
Instruction support staff	17,165		4,862
General administration			
School administration			
Operations and maintenance			
Student transportation services			
Central support services			
Other support services			
Food service operations			
Student activities			
Facility acquisition and construction services			
Debt service			
Operating transfers			
Adjustment for qualifying budget credits			
Total Expenditures	<u>64,679</u>	<u>0</u>	<u>149,654</u>
Receipts Over (Under) Expenditures	23,298	40,000	0
Unencumbered Cash, Beginning	301,460	800,000	0
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 324,758</u>	<u>\$ 840,000</u>	<u>\$ 0</u>

USD #336 HOLTON, KS
NONBUDGETED FUNDS
Schedule of Cash Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2018

	Title IVA <u>Drug Free</u>	Title VIB	<u>Mini-Grants</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$
Delinquent tax			
Motor vehicle tax			
RV tax			
Mineral production tax			
Federal grants		30,887	
State aid/grants	500		
Charges for services			
Interest income			
Miscellaneous revenues			
Operating transfers			
	<u>500</u>	<u>30,887</u>	<u>0</u>
EXPENDITURES			
Instruction	1,314	26,020	
Student support services			
Instruction support staff			
General administration		4,867	
School administration			
Operations and maintenance			
Student transportation services			
Central support services			
Other support services			
Food service operations			
Student activities			
Facility acquisition and construction services			
Debt service			
Operating transfers			
Adjustment for qualifying budget credits			
	<u>1,314</u>	<u>30,887</u>	<u>0</u>
Receipts Over (Under) Expenditures	(814)	0	0
Unencumbered Cash, Beginning	814	0	2,057
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u>0</u>	\$ <u>0</u>	\$ <u>2,057</u>

USD #336 HOLTON, KS
NONBUDGETED FUNDS
Schedule of Cash Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2018

	ACE Grant Program	Title IIA
CASH RECEIPTS		
Taxes and Shared Revenue		
Ad valorem property tax	\$	\$
Delinquent tax		
Motor vehicle tax		
RV tax		
Mineral production tax		
Federal grants		31,282
State aid/grants		
Charges for services		
Interest income		
Miscellaneous revenues	5,975	
Operating transfers		
	<hr/>	<hr/>
Total Cash Receipts	5,975	31,282
	<hr/>	<hr/>
EXPENDITURES		
Instruction	5,453	31,282
Student support services	517	
Instruction support staff		
General administration		
School administration		
Operations and maintenance		
Student transportation services		
Central support services		
Other support services		
Food service operations		
Student activities		
Facility acquisition and construction services		
Debt service		
Operating transfers		
Adjustment for qualifying		
budget credits		
	<hr/>	<hr/>
Total Expenditures	5,970	31,282
	<hr/>	<hr/>
Receipts Over (Under) Expenditures	5	0
Unencumbered Cash, Beginning	0	0
Prior Year Cancelled Encumbrances	0	0
	<hr/>	<hr/>
Unencumbered Cash, Ending	\$ 5	\$ 0
	<hr/>	<hr/>

USD #336 HOLTON, KS
 NONBUDGETED FUNDS
 Schedule of Cash Receipts and Expenditures
 Regulatory Basis
 For the Year Ended June 30, 2018

	<u>JCCTCC Grant</u>	<u>Carl Perkins Grant</u>
CASH RECEIPTS		
Taxes and Shared Revenue		
Ad valorem property tax	\$	\$
Delinquent tax		
Motor vehicle tax		
RV tax		
Mineral production tax		
Federal grants		1,258
State aid/grants		
Charges for services		
Interest income		
Miscellaneous revenues	500	
Operating transfers		
	<u>500</u>	<u>1,258</u>
Total Cash Receipts		
EXPENDITURES		
Instruction	604	5,853
Student support services		
Instruction support staff		
General administration		
School administration		
Operations and maintenance		
Student transportation services		
Central support services		
Other support services		
Food service operations		
Student activities		
Facility acquisition and construction services		
Debt service		
Operating transfers		
Adjustment for qualifying budget credits		
	<u>604</u>	<u>5,853</u>
Total Expenditures		
Receipts Over (Under) Expenditures	(104)	(4,595)
Unencumbered Cash, Beginning	454	3,468
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u>350</u>	\$ <u>(1,127)</u>

USD #336 HOLTON, KS
DISTRICT ACTIVITY FUNDS
Schedule of Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2018

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts							
Middle school							
Athletics	\$ 3,788		\$ 26,024	\$ 29,314	\$ 498	\$ -	\$ 498
Volleyball	150				150		150
Concessions	1,688		3,707	2,636	2,759		2,759
High School							
Athletics	25,603		75,302	96,206	4,699		4,699
Boys Basketball	554		1,120	873	801		801
Girls Basketball	438				438		438
Track	37				37		37
Volleyball	272				272		272
Wrestling	108			49	59		59
Cross Country	2,061				2,061		2,061
Softball	345		7,726	7,360	711		711
Subtotal Gate Receipts	35,044	-	113,879	136,438	12,485	-	12,485
School Projects							
Holton Elementary							
General	17,357		21,243	16,875	21,725		21,725
PBIS	3,366		5,739	5,503	3,602		3,602
Owls Garden Fund	738				738		738
Optimist Donation	550				550		550
Book Fair	1,244		6,486	6,484	1,246		1,246
Preschool	-		45,049	45,049	-		-
ACE After School	-		5,975	5,975	-		-
Middle School							
Faculty	806		2,000	1,453	1,353		1,353
Library	408		89	32	465		465
School Fund	11,342		2,042	9,510	3,874		3,874
Petty Cash and Sales tax	-		5,632	5,632	-		-
Yearbooks	253		1,857	1,437	673		673
Pictures	130		181		311		311
Awards	58		4,997	6,678	(1,623)		(1,623)
High School							
Concessions	24,488		41,376	52,731	13,133		13,133
Program ads	25,822		26,960	7,479	45,303		45,303
Drivers Ed Fees	-		8,175	8,175	-		-
Holtonian	(238)		2,783	2,545	-		-
JCYC	770		3,352	3,936	186		186
Football stadium	19,798		7,055		26,853		26,853
Touchdown club	3,937		3,800	6,290	1,447		1,447
Laptop Insurance	3,333		17,357	15,211	5,479		5,479
Lift A Thon	1,988		2,324	463	3,849		3,849
PE Grant	1,881		52	42	1,891		1,891
School Fund	3,485		31,891	8,044	27,332		27,332
Supplies	34,730		14,404	16,201	32,933		32,933
Wall Picture	2,424				2,424		2,424
Yearbook	5,040		13,647	15,488	3,199		3,199
Orders/Testing	4,963		4,636	4,161	5,438		5,438
IHT	1,830		43	544	1,329		1,329
Staff Grants	421			156	265		265
Character Program	5,320				5,320		5,320
Patio pavers	1,976			185	1,791		1,791
AG Metal	1,105		4,692	3,905	1,892		1,892
Band rental fee	269		1,080	725	624		624
Band classroom	630		10,615	10,000	1,245		1,245
Harold Kennedy	1,100				1,100		1,100
Ron Folk Memorial	(51)		96		45		45
Greenhouse	1,284		2,970	1,717	2,537		2,537
Subtotal School Projects	182,557	-	298,598	262,626	218,529	-	218,529
Total District Activity Funds	\$ 217,601	\$ -	\$ 412,477	\$ 399,064	\$ 231,014	\$ -	\$ 231,014
	x						

USD# 336 HOLTON, KS
 AGENCY FUNDS
 Summary of Receipts and Disbursements
 For the year ended June 30, 2018

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Payroll liabilities	\$ 222,647	\$ 120,672		\$ 343,319
High School				
Art	36	2,595	1,785	846
Band	2,218	38,159	33,613	6,764
Constitution Club	27			27
Drama	4,708	489	355	4,842
FFA	1,814	26,450	29,901	(1,637)
FFA Convention	403		403	0
FCCLA Club	1,547	16,520	7,160	10,907
FACS Fees	3,714	3,345	6,150	909
Kayettes	527	65		592
KLASS	994	321	41	1,274
National Honor Society	217	45		262
Spirit Club	7,139	11,922	11,888	7,173
SADD	0			0
Sales Tax	0	11,637	11,637	0
Student Council	800	3,611	3,155	1,256
Vocal Music	8,506	52,619	55,764	5,361
Vocational Agriculture	688	2,925	2,226	1,387
FCA Club	801			801
Summer weights	0	2,175	2,145	30
Class of 2010	96			96
Class of 2011	682			682
Class of 2015	120			120
Class of 2016	113			113
Class of 2017	1,277		1,277	0
Class of 2018	1,891		163	1,728
Class of 2019	3,477	2,679	3,795	2,361
Class of 2020	1,800	1,975		3,775
Class of 2021	0	1,965		1,965
Lettercats	3,017			3,017
FBLA Club	1,578	914	1,070	1,422
Spanish Club	407			407
Middle School				
Student Council	900	734	1,160	474
Technology	382	2,675	3,442	(385)
Kays	2,616	40,929	30,347	13,198
Music	0			0
Cookie dough	37	37,683	33,386	4,334
FCA	19			19
Total	<u>\$ 275,198</u>	<u>\$ 383,104</u>	<u>\$ 240,863</u>	<u>\$ 417,439</u>

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Karlin & Long, LLC
Certified Public Accountants

Board of Education
Unified School District No. 336
Holton, Kansas 66436

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units of Unified School District No. 336 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Unified School District No. 337's basic financial statement, and have issued our report thereon dated August 3, 2018.

The report on the audited financial statement was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unmodified as presented on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Unified School District No. 336, Holton, Kansas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Unified School District No. 336, Holton, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of Unified School District No. 336, Holton, Kansas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District No. 336's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Karlin and Long, LLC".

Karlin & Long, LLC
Certified Public Accountants

August 3, 2018

KL

Karlin & Long, LLC
Certified Public Accountants

Board of Education
Unified School District No. 336
Holton, Kansas 66436

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Report on Compliance for Each Major Federal Program

We have audited Unified School District No. 336's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Unified School District No. 336's major federal programs for the year ended June 30, 2018. Unified School District No. 336's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Unified School District No. 336's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Unified School District No. 336's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Unified School District No. 336's compliance.

Opinion on Each Major Federal Program

In our opinion, Unified School District No. 336 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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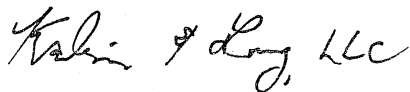
Report on Internal Control over Compliance

Management of Unified School District No. 336 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Unified School District No. 336's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Unified School District No. 336's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Karlin & Long, LLC
Certified Public Accountants
August 3, 2018

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor Number	Federal Expenditures
<hr/>			
U.S. Department of Education			
Passed through State Department of Education:			
Title I - Low income	84.010A	*	\$ 145,794
State Grants (Part B Education Act)	84.027	*	466,021
EHC Flo-Thru	84.027A	*	323,264
Carl Perkins Grant	84.048	*	500
Early Childhood Aid	84.173	*	23,821
Early Childhood Aid	84.173A	*	10,210
Title II - Teacher Quality	84.367	*	3,800
Supporting Effective Instruction	84.367A	*	27,482
ESSA Student Academic Support	84.424A	*	3,860
<hr/>			
U.S. Department of Agriculture			
Passed through State Department of Education:			
School Breakfast Program	10.553	*	63,938
National School Lunch Program	10.555	*	237,723
<hr/>			
Other Federal Assistance			
Passed through State Department of Education:			
Special Education Aid	97.042	*	5,614
<hr/>			
Total Federal Assistance			<u><u>\$ 1,312,027</u></u>

* Not available

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2018

A. Summary of Audit Results

1. The auditor's report expresses an Adverse Opinion on the financial statements of Unified School District #336 in accordance with Generally Accepted Accounting Principles. The auditor's report expresses an Unmodified Opinion on the financial statements in accordance with the regulatory basis.
2. No significant conditions relating to the audit of the general purpose financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on a Audit of Financial Statements Performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the general purpose financial statements of Unified School District No. 336 were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for Unified School District No. 336 expresses an unmodified opinion on all major federal programs.
5. Audit findings that are required to be reported in accordance with Section 510 (a) of the Uniform Guidance relative to the major federal award programs for USD 336 are reported on this schedule.
6. The programs tested as major programs included:
Department of Education
State Grants (Part B Education Act) CFDA # 84.027
7. Unified School District No. 336 was not determined to be a low-risk auditee.
8. The threshold for distinguishing types A and B programs was \$750,000.

B. Findings – Financial Statement Audit
None

C. Findings and Questioned Costs – Major Federal Awards Programs Audit
Department of Education
State Grants (Part B Education Act) CFDA No. 84.027

No findings of noncompliance or questioned costs were noted.

UNIFIED SCHOOL DISTRICT NO. 336
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

2018-001 Prior Financial Reporting

Criteria – All school districts are required to prepare financial statements in accordance with the basis of accounting adopted. This is a responsibility of the District's management. The preparation of financial statements requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including note disclosures (i.e., external financial reporting).

Condition – As in the case with many smaller and medium sized entities, the District has historically relied on its independent external auditors to assist in the preparation of the government-wide fund and fund financial statements, including note disclosures, as part of the external financial reporting process. Accordingly, the District's ability to prepare financial statements is based, in part, on its external auditors, who cannot by definition be considered a part of the District's internal controls financial reporting.

Cause – Management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the external auditors rather than incur the time and expense of obtaining the necessary training and expertise require for the district to perform this task internally.

Effect of Condition – As a result of this condition, the District lacks internal controls over the preparation of financial statements, including note disclosures, in accordance with the basis of accounting adopted, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation – we recognize that the district may not have the resources to have an accounting personnel to prepare government – wide and fund financial statements, including note disclosures, in conformity with the adopted basis of accounting. However, we recommend that management continue to increase their knowledge of financial reporting.

View of Responsible Officials – The District has evaluated the benefit of establishing internal controls over the preparation of financial statements, including note disclosures, and determined that it is their best of the District to outsource this task to its external auditors, and to carefully review the draft financial statements, including note disclosures, prior to approving them and accepting responsibility for their content and preservation.

Management's Response (Unaudited) – The district believes that outsourcing the financial statement presentation is acceptable in the circumstances.

UNIFIED SCHOOL DISTRICT NO. 336
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

2017-001 Financial Statement Finding

Criteria – All school districts are required to prepare financial statements in accordance with the basis of accounting adopted. This is a responsibility of the District's management. The preparation of financial statements requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including note disclosures (i.e., external financial reporting).

Condition – As in the case with many smaller and medium sized entities, the District has historically relied on its independent external auditors to assist in the preparation of the government-wide fund and fund financial statements, including note disclosures, as part of the external financial reporting process. Accordingly, the District's ability to prepare financial statements is based, in part, on its external auditors, who cannot by definition be considered a part of the District's internal controls financial reporting.

Cause – Management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the external auditors rather than incur the time and expense of obtaining the necessary training and expertise require for the district to perform this task internally.

Effect of Condition – As a result of this condition, the District lacks internal controls over the preparation of financial statements, including note disclosures, in accordance with the basis of accounting adopted, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation – we recognize that the district may not have the resources to have an accounting personnel to prepare government – wide and fund financial statements, including note disclosures, in conformity with the adopted basis of accounting. However, we recommend that management continue to increase their knowledge of financial reporting.

View of Responsible Officials – The District has evaluated the benefit of establishing internal controls over the preparation of financial statements, including note disclosures, and determined that it is their best of the District to outsource this task to its external auditors, and to carefully review the draft financial statements, including note disclosures, prior to approving them and accepting responsibility for their content and preservation.

Management's Response (Unaudited) – The District believes that outsourcing the financial statement presentation is acceptable in the circumstances.

Resolution – Conditions continue for the current year for the preparation of the financial statements

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

NOTE 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Unified School District No. 336 Holton, Kansas and is presented on the statutory basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Statutory Basis of Accounting – The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

Unified School District No. 336 has obtained a waiver from generally accepted accounting principles which allows the district to revert to statutory basis of accounting.

Departure from Generally Accepted Accounting Principles – The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and mature principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles.

UNIFIED SCHOOL DISTRICT NO. 336
Holton, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

NOTE 1 – Basis of Accounting (continued)

Departure from Generally Accepted Account Principles (ctd.) - General fixed assets that account for the land, buildings, and equipment owned by the district are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

NOTE 2 – Pass-Through Awards

Unified School District No. 336 receives certain federal awards in the form of pass-through awards from the State of Kansas. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

NOTE 3 – Major Programs

In accordance with Uniform Guidance, major programs are determined using a risk-based approach. State Grants (Part B Education Act) has been determined by the independent auditor to be a major program.

NOTE 4 – Contingencies

The District receives funds under various federal grant programs and such awards are to be expended in accordance with provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of non-compliance. Managements believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.

NOTE 5 – Indirect Costs

Unified School District No 336 has elected not to use the 10 percent de minimis indirect cost rate allowed under uniform guidance.